THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. Pursuant to the announcement of Mid-term Review of the Annual Policy statement for the year 2004-05 in October, 2004, a Working Group was constituted in Reserve Bank of India (RBI) to examine the regulatory and customer protection aspects of credit cards and suggest measures for card usage in a safe, secure and customer-friendly manner.

The Working Group has suggested various regulatory measures aimed at encouraging growth of credit card business in an efficient manner as well as to ensure that the rules, regulations standards and practices of the card issuing banks are in alignment with best customer practices.

(c) Indian Bank's Association formed a Working Group of look into the issues and evolve a Fair Practice Code for credit card issuers and a Model Code of Conduct for Direct Selling Agents. The Group has finalized the Fair Practice Code for Credit Card Operations and Model Code of Conduct for Direct Sales Agents (DSAs). Government/RBI also refer specific complaints received from individual/association relating to credit card with concerned banks for redressal and appropriate remedial action.

High churn rates in mutual funds industry

1638. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the Ministry and SEBI are concerned about high churn rates in the mutual fund industry;

(b) if so, the details thereof; and

(c) in what manner Government propose to control churn rates by mutual fund companies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) It is for investors in individual schemes to examine whether the chrun that has taken place in a particular period is consistent with the interest of the investors. In the event of dissatisfaction, the investor would ordinarily exit such schemes and deploy those funds with either investment managers or asset management companies. Sales of units of mutual funds normally takes place through mutual fund distributors who are certified by Association of Mutual Funds in India (AMFI). SEBI

does not regulate distributors. AMFI has devised a Code of Conduct for distributors to regulate their sales practices and distributors are required to follow the same.

Incentives to managers of banks

†1639. SHRIMATI SAVITA SHARDA: Will the Minister of FINANCE be pleased to state:

(a) whether there is any proposal under consideration of Government to give incentives to the Managers and Assistant Managers delivering better performance in the branches of the Public Sector Banks;

(b) if so, the details thereof; and

(c) by when a final decision is likely to be taken in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) In terms of the managerial autonomy extended to the Public Sector Banks (PSBs) by the Government of India in February, 2005, the PSBs exhibiting good performance are now free to take decisions on the remuneration and compensation of officers and staff by granting them differential pay, linked to performance within the decided pay scales. Such benefits are intended as tangible recognition for a small proportion of personnel in each scale who are genuinely outstanding performers. The State Bank of India with the approval of its Board of Directors has since finalized a scheme for the grant of incentives to its Branch Managers and other senior officers.

Merger among local banks

1640. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Reserve Bank of India favours merger among local banks;

(b) if so, whether RBI has identified certain local banks ideal for merger and consolidation rather than acquisition by foreign players;

(c) if so, the details thereof; and

†Original notice of the question was received in Hindi.